American Public Human Services Association

WRITTEN TESTIMONY

OF

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ON BEHALF OF THE
STATE OF UTAH AND APHSA

BEFORE THE SENATE FINANCE COMMITTEE

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Good morning, Mr. Chairman and members of the Committee. I am Robin Arnold-Williams, Executive Director of the Utah Department of Human Services. Today I am testifying on behalf of the state of Utah and on behalf of the American Public Human Services Association (APHSA), a nonprofit, bipartisan organization representing state and local human service professionals for more than 70 years. Thank you for the opportunity to testify today on the unprecedented success states have achieved in implementing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, more commonly referred to as welfare reform.

It is important to note that prior to the enactment of welfare reform, AFDC caseloads were soaring and families were trapped in a pattern of dependency that few believed could be reversed. Despite poor family outcomes, for decades rigid federal rules prevented state administrators from implementing innovative approaches to help families in need. Under AFDC, states could give families little more than a check to help them provide for their children. Families faced a financial cliff if they moved from welfare to work because federal rules discouraged work.

In an attempt to break free from federal restrictions, by the mid-1990s, 48 states, including my own, were operating their AFDC programs under federal waiver demonstration programs. Work was the hallmark of early welfare reform experiments, and by 1996 it became clear that states were in a better position than the federal government to achieve success in this area. Under the federal welfare reform law of 1996, states were challenged to achieve new goals under the Temporary Assistance for Needy Families Program—like mandatory work participation requirements and lifetime time limits—with fixed federal funding in a block grant. States accepted the challenge of meeting these new goals within the funding parameters, because the new law also afforded them tremendous flexibility to achieve those goals.

States have achieved unprecedented success in implementing welfare reform, such as increased private-sector employment, decreased dependency on cash benefits, expanded child care services, escalating child support collections, and declining poverty. For example, employment rates for never-married mothers increased by 40 percent over the past five years, reaching an all-time high in 2000. Sixty-six percent of TANF mothers are working for 30 hours a week in private-sector employment and an additional 12 percent of them are actively looking for work. Sixty percent of the TANF mothers who left cash assistance are holding jobs. And to support those families with work, between 1996 and 1999 there was an 80 percent increase in the number of children receiving a monthly child care subsidy. Paternity establishment has exceeded all expectations and the number of child support cases with collections has doubled since 1996.

The flexibility afforded to states spawned innovation at the local level as well; new partnerships were forged with businesses, community agencies, tribal governments, and faith-based providers to support welfare families in their transition from welfare to work. In 1996, Congress may have envisioned 50 different state TANF programs, but in fact today there are thousands of partnerships in thousands of communities sharing in the implementation of the welfare law.

Utah's Success

In 1993, Utah received a federal waiver to launch its welfare reform program that was designed to increase income through earnings and child support. Utah's strategy was a departure from AFDC, where the focus was placed on universal engagement in activities leading to employment, a self-sufficiency plan, and full-family case closure for nonparticipation. Utah achieved great success in moving families off of welfare and into work through an individualized case assessment, diversion assistance, employment and training, and on-going case management. When the federal welfare law was enacted, Utah implemented a 36-month lifetime time limit with extensions for those who are medically unable to work; victims of domestic violence; parents caring for the medical needs of a dependent; or unable to complete education or training programs due to state inability to deliver needed services.

Since 1996, Utah's welfare caseload has declined 44 percent to a low of 7,990 in June 2001. Caseloads began increasing slightly in fall 2001 due to the recent economic downturn. The December 2001 caseload stood at 8,463—a 6 percent increase over the last six months. But the true success of our program cannot be captured in caseload statistics or work participation rates. Utah's success is best measured by the number of TANF families who entered employment. We are particularly proud of the fact that in FY 2000, Utah received a federal High Performance Bonus for job placement and in FY 2001, received a second High Performance Bonus award for our ability to retain our former TANF clients in employment. Utah has a universal engagement strategy for all clients receiving assistance, but our ultimate goal has been private-sector employment through training, on-going counseling, and aggressive job search. We have not focused our resources on developing community work experience programs or community service.

Recommendations for Reauthorization

As Congress considers reauthorization of welfare reform, continued state success is contingent upon four factors: (1) maintaining and enhancing the flexibility of the TANF block grant; (2) maintaining an adequate level of federal support for the block grant and related programs; (3) maintaining work as a key focus of welfare reform and, (4) simplifying and aligning federal program rules and goals.

Maintaining and Enhancing Flexibility. States are afforded great flexibility to design TANF programs that meet their individual goals and respect the diversity of each state and its citizenry. Over the past five years, we have learned that the TANF caseload is both dynamic and diverse. Private-sector employment should continue to be the goal of the TANF program participants. States also need continued flexibility to design programs and innovative approaches to meet the changing needs of the families served by their programs. In addition to work, TANF programs provide support to fragile families struggling to support their children; promote family well-being; provide child care services and early childhood development programs; improve parenting skills and support and preserve families; extend employment and training opportunities to noncustodial parents; support two-parent families; prevent teen pregnancy; and provide services to youths to prevent intergenerational dependence on government assistance. All of these TANF investments are critical to ensure the continued success of welfare reform.

There is broad agreement that welfare reform has been a success, and we urge Congress to continue to support that success. States have committed TANF resources in support of their state priorities and in compliance with federal goals and objectives. And thousands of community partnerships are involved in the implementation of those priorities. APHSA urges Congress to reject any changes in the TANF statute that would require states to abandon their goals and redirect their limited TANF resources to meet process measures, penalties, or purposes that are inconsistent with states' successful welfare reform strategies. We urge Congress to set broad goals for the reauthorization of welfare reform and afford states with the flexibility to devise their own strategies to meet those outcomes.

Maintaining Adequate TANF and Related Program Funding. After an initial start-up transition period from the check-writing focus of AFDC to the work-focused TANF program, the majority of states are allocating their full TANF block grant this year and spending prior year dollars as well. According to the Congressional Budget Office, current TANF expenditures exceed the authorized level of funding by $2 billion. APHSA supports maintaining the federal commitment to the TANF block grant and allowing for annual inflationary increases in the program in order to sustain services to low-income working families.

In addition, APHSA believes:

- each state should receive at least its current TANF block grant allotment, including the highest supplemental grant.
- supplemental grants to states should be extended and enhanced. States should be permitted to transfer up to 30 percent of their TANF funds to the Child Care and Development Fund (CCDF) and up to 10 percent of their funds into the Social Services Block Grant (SSBG).
- SSBG funding should be restored to the $2.8 billion funding level.
- the contingency fund should be revised and adequately funded.
- states should be permitted to maintain state rainy day funds and states should be permitted to use unobligated TANF funds for any purpose allowable under the act; and finally
- no "set-asides" or other restrictions should be applied to the TANF block grant funds.

We want to extend our appreciation to Congress for including an extension of the TANF supplemental grants and funding for the contingency fund in the recently enacted economic stimulus plan. APHSA enthusiastically supports the financing measures included in the president's welfare reform proposal, such as

- continuing TANF supplemental grants;
- continuing the TANF contingency fund;
- removing the restriction on unobligated TANF funds;
- excluding child care and transportation from the definition of assistance; and
- creating state "rainy day funds" using unobligated TANF funds.

We urge this committee to include these provisions in any TANF reauthorization legislation.

With respect to child care, additional federal funding is needed. States have matched and programmed every available federal child care dollar. And in FY 2000, states supplemented the federal CCDF funding with $4.3 billion in TANF block grant transfers and direct spending. Today, more than $9 billion is spent on child care services to support low-income families in the workforce. If TANF caseloads rise or state budget deficits persist, states may not be able to sustain this level of spending. In addition, if Congress mandates new TANF work requirements, adopts new quality standards, or seeks to increase the number of families receiving child care services, then Congress must increase federal funding for child care substantially.

Maintaining the Work Focus. Long before Congress mandated work from welfare clients, states were implementing successful waiver demonstration projects with work as the focus. States have demonstrated that they could devise effective TANF strategies that moved more families from welfare to work than ever before in our nation's history. This record of success should offer Congress with adequate evidence that states are focused on employment. And for those who are left on the cash assistance caseload, according to the most recent federal data, 77 percent of the families that count toward the participation rates are either in unsubsidized employment or looking for it. Only 11 percent are engaged in workfare activities. The data provide compelling evidence that states have placed their emphasis on "real" work.

Recent Senate and administration proposals have placed a renewed focus on TANF work participation rates, hours, and definitions. We urge this committee to look at the welfare to work effort more broadly. TANF work participation rates only represent a very small part of the welfare-to-work story. The work participation rates only measure the number of families receiving cash assistance who are engaged in at least 30 hours of work activities. And in a time-limited welfare system, the families represented in the work rates are an ever-shrinking number.

The work participation rates do not include the thousands of families who receive TANF-funded child care or transportation that allows them to keep their private-sector jobs. The current rates do not include the TANF mother who works 29 hours or fewer in a private-sector job. Mothers who hold private jobs and received short-term TANF assistance, such as car repair or assistance in paying their rent or utilities, are not included in the work rates. Nor are the hundreds of thousands of mothers who no longer receive cash assistance because they are earning a paycheck in the private sector.

Work rates may have been an appropriate measure when welfare reform was enacted in 1996, but today they are an outmoded and incomplete measure of state welfare–to-work efforts. APHSA recommends that states be afforded the option to choose between the process measures of participation rates and the high performance bonus outcome measures of job placement, retention, and earnings progression. At the very least, reauthorization legislation should place as much emphasis on the placement and retention of TANF clients in unsubsidized employment as it places on the work activity of those receiving cash.

The following proposed changes may require states to restructure their TANF strategies—eliminating the caseload reduction credit, increasing work participation rates, increasing required work hours to 40 per week, restricting work activities for 24 of the 40 hours, and eliminating federal waivers. States are in the process of evaluating the full effect of these potential changes on their programs. We urge the members of this committee to reach out to your states to determine the full impact of such policy changes.

With respect to the caseload reduction credit, we recognize that Congress may not continue to allow states to be credited for a caseload decline based on 1995 data. However, we urge the committee to consider phasing out the caseload credit and replace it with an employment credit. The new credit would provide an incentive for states to place and retain TANF clients in jobs with earnings; additional credit should be earned for providing short-term assistance to clients with earnings as well as for clients in part-time employment with earnings. As the caseload reduction credit is phased out over time, the improved employment credit would be phased in.

With respect to work participation rates, APHSA supports the president’s proposal to include two-parent TANF families in the all families rate. And we also believe that TANF mothers, who have multiple barriers to overcome such as mental health, substance abuse, or learning disabilities, may need additional time to enter the workforce. States should be afforded additional flexibility in defining work activities so that they can place these clients in meaningful activities that increase the likelihood of long-term success in the workforce. In this respect, APHSA also supports continuing state welfare waivers.

With respect to increasing required hours of work to 40, the new requirement would have unintended effects and increased costs. First, it is important to note that in 27 states, TANF clients no longer qualify for cash benefits when they work 40 hours per week at the minimum wage. In 16 states, clients lose eligibility after 24 hours of work at $7 per hour. In short, clients will exit welfare before they can be counted toward the participation rate. For example, if a TANF client loses eligibility when she works 28 hours at the minimum wage, the state would have to adjust eligibility rules in order to keep the family on cash long enough to count them. In a time-limited TANF program, this would be unfair to the client and contrary to our mission of moving families off assistance.

According to federal data, in FY 2000, TANF clients worked an average of 29 hours per week in all federal work categories. Increasing the number of required hours and work rates will increase the costs of child care and may require one or more additional child care arrangement. It may be necessary to either significantly increase TANF block grant funding or child care funding to support the new work requirements.

In states experiencing an economic slowdown, in rural or tribal areas, significant challenges may arise in implementing the proposed 24-hour requirement. Utah, for example, does not have the community worksite infrastructure to place families in the strict work activities as proposed. We are concerned that our employment counselors, who work to negotiate individualized employment plans, would shift to work site development and monitoring.

When considering changes to the work rates, we urge you to consider the potential impact on the millions of families served with TANF funds. States may be required to redirect program resources or face substantial financial penalties. States lose 5 percent of their block grant and must appropriate the equivalent amount of state funds to their program and the state maintenance-of-effort (MOE) requirement is increased by 5 percent. While there is an existing corrective compliance plan that might mitigate the financial penalty, the broader public message will be that the welfare reform program is a failure.

In the long run, neither rates, hours, nor activities matter for the families we serve. Rather, the ultimate goal of welfare reform is the transition from cash dependency to job retention and earnings progression—generating sufficient income to support a family free from welfare for a lifetime.

Over the past year, APHSA has worked with the National Council of American Indians to develop joint recommendations for Tribal TANF reauthorization. States and tribal governments share the goal of expanding employment and economic opportunities for tribal TANF families. We have endorsed direct and enhanced funding for tribes; new funding for technical assistance, infrastructure improvement, research, and program evaluation; access to contingency funds and performance bonuses; economic development assistance; and a strengthened partnership between federal, state, and tribal governments. We urge this committee to consider these proposals.

Simplifying and Aligning Federal Program Rules and Goals. Conflicting federal program rules, restrictions, and requirements impede state administrators' ability to deliver critical services to families in need. For example, TANF program goals and objectives conflict with Food Stamp Program rules. Rigid eligibility requirements prescribed in the Workforce Investment Act and the Welfare to Work Program do not afford states with the opportunity to structure a continuum of employment and training services. As states move TANF clients from cash assistance, the resources to operate their child support program decrease significantly. Current federal funding for child welfare services creates perverse incentives to remove children from their homes rather than keep families together. Last year, APHSA published *Crossroads: New Directions in Social Policy,* setting forth an agenda for the reform of a wide range of federal human service programs. We commend this document to your attention and urge consideration of our recommendations.

Funding streams should be flexible in order to achieve program outcomes, inspire state innovation, and leverage scarce program resources. Program eligibility and federal funding restrictions should be simplified and the values underpinning the programs should be aligned as well. In the end, the success of human service programs will be measured by the health and well-being of America's children, families, and adult; by their reduced dependence on government assistance; and by self-sufficiency for generations to come.

Thank you for the opportunity to testify. I would be happy to respond to any questions you may have.